

# Soviet Defense Spending

## Editorial

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Estimates of Soviet military budgets by the U. S. Central Intelligence Agency and by others have been used by both pro and anti defense advocates over the years to support their own particular cases. When the estimates of Soviet spending rose in the 1970s, the backers of a bigger U. S. defense budget seized on them. Then when the most recent CIA projection showed a slowdown in the growth rate, and a similar estimate from NATO followed, opponents to higher defense spending reacted with relish.

The fact of the matter is that there is a lot of laughing gas clouding the core of reality in these estimates. They are fine as far as they go, but they are also a nebulous structure by themselves to build a base for either case.

NATO's recent report contends that the growth rate for Soviet military spending has been cut in half—to about 2-2.5% in the years since 1976 from a 4-5% rate between 1970 and 1976. The NATO report said the estimates were derived from NATO member nations. That translates into NATO getting some or all of it from the CIA, and releasing the same report all over again but leaving the public with the impression that there was new documentation to back the original CIA estimate.

No great mystery surrounds the technique for making these estimates. Analysts take the Soviet physical output of defense hardware and Soviet military force levels and price them out in terms of what it would cost the U. S. to build or field the equivalent. As a comparison of level of effort by the two countries, the estimates are revealing but are only a proxy for what the Soviets are spending in rubles.

## A Different Yardstick

The problem with putting any Soviet product into money terms is that money is not the same yardstick there that it is in the West. Prices are published for goods and services in the Soviet Union but are established or agreed to by the government. Unlike the case of a market economy, official prices there do not reflect scarcities and perceived value. They can reflect whatever the state has on its mind at the moment. Data for prices in the Soviet Union are available in the West, and at least one scholarly volume has been written on the subject. What is not clear is whether the published prices mean very much, or, more pertinently, whether they are consistently applied in high-priority defense and technical programs. So the intelligence estimates reflect Western theories of money, not Soviet.

The Soviets have been aware of the failure of money to measure efficiency in the Soviet economy. Some years ago they began a search for a substitute for profits in the capitalistic system to develop what they called indices for how well enterprises were being run. Repeated Soviet exhortations for greater efficien-

cy in industry are a sign that the search has not been successful.

A more accurate gauge for the Soviet military effort is hardware, the physical size of forces and production of the Soviet defense industry. As the NATO report says, Soviet production of military hardware continues at a high level. U. S. Defense Secretary Caspar Weinberger made the same point in discussing the Fiscal 1985 defense budget at its unveiling, that Soviet output is a better criterion than spending. The Soviets are producing 840 fighters a year where the U. S. is closer to 350. Quality is a fuzzy factor in those numbers in making comparisons, and what quality costs the Soviets is a tough question to answer.

## Nebulous Measurement

Pricing out Soviet defense hardware in U. S. terms gives some idea of how much in the way of resources the Soviets have committed and how much a charge they are on the Soviet economy. The measurement is still highly nebulous. Soviet labor has a much different value from labor in the West, especially for the military forces where personnel are paid a fraction of those in the U. S. Production rates are a better measure but not without shortcomings. In an economy where results are measured by output of hardware rather than profit and loss, the outcome is to produce to meet or exceed quotas whether or not there is any consumer demand for the goods.

Something of the same thing could be happening in Soviet defense production: hardware produced to keep the factory working and the masses employed. In the defense case, though, that production does constitute forces in being and capability, and has to be dealt with, irrespective of whether the capability makes sense.

There is yet another hooker in looking at Soviet defense spending growth, however estimated. It would be startling—and ominous—if the Soviet percentage growth rates continued at the levels of 10 years ago. The base on which the annual growth percentage is computed is rising every year. A constant percentage growth on a steadily rising base would mean a vast increase in whatever was being calculated—rubles for defense or hardware production. The percentage growth rate should decline over time as the base rises if hardware production is staying roughly constant. That is essentially what the Soviet defense effort is doing, and the NATO report says there is no sign of any Soviet policy decision to slow it down.

Misunderstanding and hot air have already followed the issue of the new estimates. Estimates of Soviet defense spending are one small piece of a complex puzzle, and they have to be related to hardware, force sizes and deeds as well as words to mean anything.

—William H. Gregory